

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 SIL-01 /127 W
-----092743 112126Z /75

R 111411Z JUL 78
FM USMISSION GENEVA
TO SECSTATE WASHDC 1877
INFO AMEMBASSY BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 02 GENEVA 10501

USMTN

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E.O.11652:GDS
TAGS: ETRD, MTN, EEC
SUBJECT: MTN: EC ARTICLE 113 COMMITTEE MEETINGS IN GENEVA

REF: BRUSSELS 13440

1. ARTICLE 113 COMMITTEE AT HIGH LEVEL WILL MEET EACH MORNING THROUGH JULY 13 IN GENEVA. IN ADDITION, DEPUTIES LEVEL MEETINGS ON SPECIFIC MTN SUBJECTS ARE TAKING PLACE IN THE AFTERNOON. HIGH LEVEL PARTICIPANTS ARE ALSO ON STAND-BY TO MEET WITH COMMISSION AS DESIRED. FRG SOURCE SAID HIS DELEGATION IS HERE TO MAKE THIS WEEK A SUCCESS; OTHERWISE CHANCELLOR SCHMIDT WILL BE FURIOUS. EXPECTATION IS THAT JULY 12 WILL BE CRUCIAL DATE IN TERMS OF REACHING AGREEMENT WITH U.S. AND OTHER MAJOR PARTICIPANTS. CONVERSATIONS WITH UK AND FRG SOURCES REVEALED FOLLOWING INFORM-CONFIDENTIAL

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ACTION ON INDIVIDUAL ISSUES:

2. REPORT TO SUMMIT. UK SOURCE CALLED THIS A DECLARATION; FRG "A MEMO OF UNDERSTANDING". BOTH HAD SEEN FIRST DRAFT PREPARED BY COMMISSION. UK SOURCE SAID HE FOUND IT BLAND AND EXPRESSED REGRET THAT WE HAD CHOSEN TO CONCENTRATE ON PIECE OF PAPER AT THIS EARLY STAGE OF WEEK INSTEAD OF

RESOLVING INDIVIDUAL ISSUES. HE SAID HE BELIEVES COMMISSION HAS NUMBER OF EASY QUESTIONS ON WHICH IT COULD COMPROMISE WITH U.S. NOW BUT HAS CHOSEN NOT TO. HE DISAGREES WITH TACTIC.

3. SUBSIDIES/CVD. BOTH SOURCES SAID 113 IS AWARE OF NEED TO REACH AGREEMENT WITH U.S. ON APPLICATION OF CODE TO AGRICULTURAL SUBSIDIES BUT THAT PROBLEM IS HIGHLY COMPLICATED, LARGELY BECAUSE OF SENSITIVITY OF SOME MEMBER STATES TO ANY IMPLICATION THAT EC EXPORT RESTITUTION POLICY IS TO BE PUT IN QUESTION. UK SOURCE STATED THAT COMMISSION IS DRAFTING ON THIS QUESTION BUT HAS NOT YET SHARED PAPERS WITH MEMBER STATES. ON PROVISIONAL MEASURES ON COUNTERVAILING TRACK, FRG SOURCE SAID THAT MEMBER STATES ARE UNANIMOUSLY OPPOSED; THERE IS STRONG FEELING THAT EXISTING GATT PROCEDURES ARE ADEQUATE AND THAT NEW EASY ROUTE NOT BE ADDED. UK SOURCE OFFERED VARIATION ON THIS, SAYING THAT HIS GOVERNMENT'S POSITION IS THAT COUNTERVAILING NOT BE EASIER THAN PROVISIONS OF ANTI-DUMPING CODE. HE SAID HE HAS ARGUED WITH COMMISSION THAT ONE WAY OUT OF IMPASSE WOULD BE LOOSEN UP ON PROVISIONS OF ANTI-DUMPING CODE AS WELL. THIS, IN HIS VIEW, WOULD NEED TO BE DONE AS PART OF OVERALL MTN PACKAGE. HE SAID UK HAS BEEN ARGUING THIS POSITION WITH COMMISSION AND THAT LATTER SEEMED TO HAVE TAKEN SOME OF IT ON BOARD.

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4. SAFEGUARDS. FRG SOURCE SAID THAT HIS GOVERNMENT ONLY ACCEPTED COMPROMISE ON NO PRIOR CONSULTATION AT EC COUNCIL ON JUNE 27 BECAUSE HIS MINISTER (LAMBSDORFF) WAS IN U.S. AND VON DOHNANYI HAD BEEN ANXIOUS TO FIND SOLUTION AT LUXEMBOURG. HE IS HOPEFUL THAT U.S., JAPAN AND LDC'S WILL CONTINUE STRONG OPPOSITION TO COMMISSION IN NEGOTIATIONS SO THAT COMMISSION WOULD BE FORCED TO RETURN TO 113 COMMITTEE TO SAY IT COULD NOT SELL POSITION IN JUNE 27 MANDATE. IN THIS CASE, FRG WOULD WORK TO FIND OTHER SOLUTION. HE THOUGHT BEST APPROACH TO MEMO OF UNDERSTANDING FOR SUMMIT USE WOULD BE TO LEAVE QUESTION VAGUE, INDICATING ONLY AGREEMENT ON SELECTIVITY BUT NOT SPELLING OUT CONDITIONS FOR ITS USE. UK SOURCE, WHO DESCRIBED APPROACH TO US AS PERSONAL, SAID THAT U.S. SHOULD CONSIDER OTHER APPROACH TO SELECTIVITY QUESTION. THE ESSENTIAL FOR UK AND FRANCE IS TO HAVE ABILITY FOR INDEPENDENT ACTION, I.E., NO PRIOR CONSULTATION. ON OTHER HAND, HE THINKS UK AND REST OF EC COULD, ALBEIT RELUCTANTLY, BE PUSHED BY U.S. TO ACCEPT TIGHT CRITERIA LIMITING WHEN IT APPROPRIATE TO ACT SELECTIVELY. HE SAW THIS APPROACH AS MEETING U.S. NEED TO LIMIT USE OF SELECTIVE ACTION.

BOTH SOURCES NOTED THAT SAFEGUARDS WAS TO BE DISCUSSED IN
JULY 11 MORNING 113 COMMITTEE MEETING.

5. AGRICULTURAL CONCESSIONS TO U.S. QUESTION HAS NOT
BEEN DISCUSSED RECENTLY IN 113 SESSIONS BUT, ACCORDING
TO SOURCES, IS ONE OF TWO OR THREE QUESTIONS UPPERMOST
IN ALL MINDS. UK SOURCE STATED THAT HIS GOVERNMENT HAS
MADE IT CLEAR REPEATEDLY THAT IT FEELS IT HAS CONCEDED
ON A NUMBER OF INDUSTRIAL POINTS AS PART OF ITS EFFORT
TO ACHIEVE OVERALL MTN PACKAGE; IT NOW IS TURN OF OTHER
MEMBER STATES TO DO THEIR SHARE ON AGRICULTURE SIDE. HE
SAID UK HAD MADE POINT IN JULY 10 113 MEETING BY REFUSING
TO ACCEPT CONCESSION TO CANADA ON FISH, SAYING IT WOULD
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CERTAINLY DO NOTHING ON AGRICULTURAL PRODUCT UNTIL OTHER

MEMBER STATES READY TO ACT.

FRG SOURCE ESTIMATED THAT ITALIANS WOULD EVENTUALLY COME ALONG ON CITRUS AND OTHER PRODUCTS BUT THAT THEY WOULD SPIN OUT PROCESS THROUGH THE FALL. HE THOUGHT THAT HEADS OF STATE DISCUSSION OF MEDITERRANEAN QUESTIONS AT BREMAN (REFTEL) HAD AN INDIRECT LINK TO U.S. REQUESTS. FRG FEELING IS THAT ITALY AND FRANCE HAVE ALREADY BENEFITTED GREATLY FROM EC MEDITERRANEAN PACKAGE AND THAT MAJOR NEW CONCESSIONS TO THEM ARE NOT CALLED FOR.

6. TARIFFS. NEITHER SOURCE MENTIONED TARIFFS AS SUBJECT OF 113 DISCUSSION SO FAR THIS WEEK. FRG SOURCE AGREED THERE WAS SOME DANGER OF UNRAVELLING THROUGH PRESENTATION OF WITHDRAWAL LISTS AND SAID FRG WAS WATCH-CONFIDENTIAL

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ING THIS SITUATION.

7. GOVERNMENT PROCUREMENT. UK SOURCE SAID COMMISSION HAD PRESENTED 113 WITH "COMPROMISE" ON GOVERNMENT PROCUREMENT INCLUDING: FULL OBLIGATION ON CONTRACTS ABOVE 200,000 U.A.; U.S. ACCEPTANCE OF EC LIMITS ON PRODUCT COVERAGE; APPLICATION TO ALL U.S. FEDERAL AGENCIES; SOMETHING ON TRANSPARENCY AND CONTRACTS ABOVE 120,000 U.A. TO BE SUBJECT TO PUBLICITY IN LOCAL LANGUAGE AND LOCAL JOURNALS. UK REACTION WAS THAT THIS WAS UNNECESSARILY COMPLICATED, PARTICULARLY FOR CONTRACTS OF LESSER VALUE. UK ALTERNATIVE SUGGESTION TO COMMISSION WAS THAT U.S. NOT BE ASKED TO CHANGE BUY AMERICA PROVISIONS FOR TENNESSEE VALLEY AUTHORITY, WHICH WOULD MORE OR LESS CORRESPOND TO EC ENERGY EXCLUSION AND REMOVE \$3 BILLION FROM COVERAGE.

UK SOURCE DESCRIBED THE "NO PRIOR COMMITMENT TO ENLARGE COVERAGE" ON GOVERNMENT PROCUREMENT REVIEW AS A PERSONAL INTEREST OF MINISTER DELL AND SAID A WAY WOULD HAVE TO BE FOUND TO MEET HIS INTEREST.

8. AIRCRAFT DECLARATION. BOTH SOURCES INDICATED THERE GENERAL ACCEPTANCE AMONG MEMBER STATES OF DESIRABILITY OF DOING SOMETHING ON AIRCRAFT. MAIN INTEREST IS IN ZERO DUTY. ONLY DECISION LIKELY THIS WEEK IS TO HAVE PASSING REFERENCE TO AIRCRAFT IN SUMMIT DECLARATION.

9. COUNTERFEITING. UK SOURCE SAID HIS GOVERNMENT IS VERY SYMPATHETIC. FRG SOURCE SAID HIS GOVERNMENT HAS NO OBJECTION TO PRINCIPLE BUT THAT IT WOULD BE COMPLICATED TO DO ANYTHING IN SHORT TIME FRAME. ALSO SEVERAL GERMAN MINISTRIES WOULD NEED TO BE BROUGHT IN; MINISTRY OF JUSTICE HAS ALREADY QUESTIONED WHETHER MTN IS APPROPRIATE

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VEHICLE FOR SUCH A DECLARATION AND SUGGESTED THAT FRG, AT LEAST, ALREADY FULLY COVERED ON PROBLEM THROUGH OTHER INTERNATIONAL AGREEMENTS. BOTH THOUGHT THAT THERE COULD BE GENERAL REFERENCE NOW TO DESIRABILITY OF TAKING ACTION ON THIS QUESTION BUT THAT REAL DISCUSSIONS COULD NOT TAKE PLACE BEFORE THE FALL.

10. RULES OF ORIGIN. QUESTION HAD BEEN DISCUSSED IN 113 AND COMMISSION POSITION THAT EC TRY TO MEET SPECIFIC U.S. PROBLEMS WAS SUPPORTED. FRG SOURCE STATED HIS GOVERNMENT CONTINUED ITS TRADITIONAL SUPPORT FOR MORE LIBERAL ORIGIN RULES BUT THAT IT NOT BE POSSIBLE TO ADOPT ANY GENERAL CHANGE IN SHORT TERM. HE SUGGESTED U.S. IDENTIFY SPECIFIC PROBLEMS BUT THOUGHT EVEN THEN IT MIGHT BE DIFFICULT FOR EC TO ACT QUICKLY.

11. DRAFTED BY J.MCCARTHY. MCDONALD

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